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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1951

No. 150

THE EASTERN VENETIAN BLIND COMPANY,
Petitioner,

vs.

ACME STEEL COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Introduction

This is a patent infringement suit in which the well worn defense of alleged misuse of the patents was raised by the defendant-petitioner, an admitted and willful infringer of all four patents originally in suit.

There is no conflict of decisions on any question decided in this case and no question presented which is of such general or public importance as to require the review of the case by this Court. The alleged "questions presented" which are referred to at page 3 of the petition are based upon an inaccurate and unfair statement of the facts at crucial points and upon misinterpretations of the opinions

of the lower courts and of the license agreements, as we shall show.

This is merely another case where a greedy defendant, having fared very well before the Court of Appeals in escaping responsibility for a large portion of its piracy of respondent's valuable inventions, now seeks the aid of this Court in an effort to evade *all* financial responsibility for its actions.

The real questions presented will be here briefly summarized and will be dealt with further after the facts have been more fully and accurately stated.*

Questions Presented.

The real questions presented may be very simply stated as follows:

1. Does Acme's present second stage license, which grants to the licensee the right to practice the second stage of Acme's two stage process, with the use of the product of the first stage, involve misuse when the process claims of the patent only cover both stages in combination and Acme therefore has patent coverage on the second stage only when practiced with material which has been subjected to the process step of the first stage? Acme could not grant a license to practice the second stage with ordinary strip steel or any other material not treated by the first stage for to do so would be to grant a greater right than Acme can legally give. The scope of the license is defined in exact accordance with the patent grant and the words "with the use of slat stock produced by the practice of the first stage of said process" are merely words of authority and not

* In this brief, petitioner is referred to as "Eastern" and respondent as "Acme." References to the record of four volumes will appear, for example, as (R III, p. 20); exhibits will be identified by number or letter and by the pages where they appear in the record but the places where they were offered have not been identified because those parts of the record have not been printed.

words of limitation. The second stage licensee is not required to purchase the product of the first stage either from Acme or from a first stage licensee.

2. Is the holding of the Court of Appeals, that all of the claims of the Wilson '678 patent are valid, in conflict with the decision of this Court in *Altoona Pub. Theatres* v. *Am. Tri-Ergon Corp.*, 294 U. S. 477, in the absence of any proof that the Court of Appeals failed to consider every claim of this patent?

STATEMENT OF THE FACTS.

In order that the license agreements may be fully understood, it is first necessary to have an understanding of the patents in suit among which are the Wilson '434 and '678 patents included in the licenses complained of.

Wilson '434 Patent.

The Wilson patent in suit No. 2,294,434 (Exh. 1, R. III, pp. 645-651), which has revolutionized the metal Venetian blind industry, relates to a method of and apparatus for forming Venetian blind slats from thin resilient strip metal. In order to maintain thin metal slats (eight thousandths of an inch thick) straight and parallel with each other in the finished blind, it is necessary to impart a transverse curvature thereto so that they have beam strength and do not sag. As pointed out by Wilson (R. II, pp. 445, 461-462), a straight, thin, metal Venetian blind slat having this transverse curvature cannot be produced merely by roll forming ordinary commercial strip steel for the reason that *irregularities* in the lengths or thickness of, and in the internal stresses in, different portions of the metal strip cause it to emerge from the rolls in a longitudinally curved form or other undesirable shape. The Wilson invention solved that difficulty while using ordinary commercial strip steel (R. I., p. 127) by first creating,

in a first stage operation, a *known* condition of the stresses in the metal strip and then treating this *known* condition in a certain manner in a second stage operation (R. I., pp. 45-46) with the result that the slats are longitudinally straight and transversely curved.

More specifically, Wilson in the first stage of his process effects a permanent longitudinal stretching of the intermediate portion of the commercial strip steel and then, during a second stage operation, the strip is bent transversely to impart a permanent transverse curvature thereto and the edges are permanently stretched longitudinally until all portions of the strip are stretched to the same extent, whereupon the metal strip emerges as a thin, resilient, and transversely curved straight slat.

The claims of the Wilson '434 patent which are in suit (1 to 10, incl.) are directed to the two stage process and to the two stage apparatus by which the metal strip is first stretched longitudinally in its intermediate portion, thereby producing an intermediate center stretched product known as "slat stock," and is then curved transversely and its edge portions are stretched longitudinally. The two stages are included in combination in each claim in suit (for example, see claim 7, R. III, p. 651) and there is no claim in the patent which covers the second stage of the process alone. The Wilson '434 patent does have a single claim, No. 11, not in suit, which covers the first stage of the Wilson process by itself.

Hunter '047 Patent.

The Hunter '047 patent (Exh. 3, R. III, pp. 657-662) covers another method and apparatus for center stretching the metal strip to produce slat stock and this Hunter method was used by Eastern as a substitute for the first stage operation covered by claim 11 of Wilson in conjunction with Wilson's second stage operation so that Eastern thereby infringed both Hunter and the two stage claims of Wilson.

The Wilson '434 patent and the Hunter patent were held to be valid and infringed by both the District Court (R. II, pp. 619, 624-627) and the Court of Appeals (R. IV, pp. 951, 953) and Eastern's petition to this Court does not raise any question as to those findings.

Wilson '678 Patent.

The second Wilson patent, No. 2,338,678 (Exh. 4, R. III, pp. 663-670) which is the only patent attacked by Eastern's petition, is directed to an improvement which was discovered during the early practice of the invention of the Wilson '434 patent. It was found that the slats produced by the two stage operation of the '434 patent were not always uniform in transverse curvature. This condition arises from the fact that successive portions of commercial strip metal employed in the process which are specified as being of the same gauge are not, in fact, of precisely uniform gauges. Also, there is sometimes a variation in the gauge of the metal in the same strip or coil. This causes successive parts of the same strip or, more frequently, different strips which are supposed to be of the same gauge, to assume different degrees of transverse curvature after passing through the second stage of the '434 process.

When thin and hard resilient steel employed in the manufacture of such slats is bent transversely during the second stage operation it tends, after passing through the forming rolls, to return to its original condition. For that reason the forming rolls are designed to impart to the strip a greater curvature than that desired in the finished product. Thick material does not spring back toward the original condition to the same extent that thin material does and that inherent tendency gives rise to the variation in the transverse curvature of the finished slat material.

When using the two stage method of the first Wilson patent it was necessary to use a different set of forming

rolls for different thicknesses of commercial strip material supposed to be of the same gauge, if it were desired to produce the same transverse curvature regardless of variations in gauge (R. I, pp. 59-62).

This necessity was overcome by the invention of the Wilson '678 patent, which made it possible to use the same forming rolls on all strip material of the same commercial gauge, within the limits of the usual variations in that gauge, and to produce, nevertheless, a product having a uniform transverse curvature (R. I, pp. 59-62).

This highly advantageous result was accomplished by combining the two stages of the first patent with a third stage during which the metal strip is progressively and temporarily flattened as it passes from the forming rolls of the second stage. After the strip is temporarily flattened, the transverse curvature returns to the metal strip due to its resiliency, but to a lesser degree,and a greater degree of curvature is removed in this manner from the thicker material than is removed from the thinner material. Thus, the degree of correction effected by temporary flattening for different thickness is in proportion to the tendency of those thicknesses to retain the curvature induced by the forming rolls. By this ingenious discovery, it was made possible to carry on the slat forming operation in a continuous process and to produce with a single set of forming rolls slats of uniform transverse curvature and more attractive appearance (R. I, pp. 59-65).

The License Agreements.

The controversy as to alleged misuse has to do solely with Acme's second stage license agreement and solely with the form of that agreement as it now exists (Snodell Exh. B, R. II, pp. 640-644), after being modified on June 9, 1950, in accordance with the order of the District Court

(R. II, pp. 633—635). But a review of the precedents of that agreement is desirable in order fully to appreciate the weakness of Eastern's present contentions.

At the time when Acme first prepared to grant licenses under its Venetian blind slat patents, Acme was not itself interested in manufacturing and installing completed Venetian blinds nor was it equipped to do so, although it was prepared, as a roller and fabricator of strip steel, to carry on the first stage of the process of the Wilson '434 patent (R. I, p. 5). Also, there were then very few, probably only two or three, Venetian blind slat manufacturers in this country who were of such financial ability that they could be expected to incur the substantial investment required to carry on the first stage of the process in addition to the second stage thereof. Most of the Venetian blind manufacturers were relatively small concerns but among these there were, however, several hundred who might be expected to carry on the second stage of the process with the product which had been subjected to the first stage of the process (R. I, p. 5).

The maintenance of a high quality in the metal Venetian blind slats was considered important if they were to compete successfully with the wooden slats which then dominated the market and, to this end, it was decided that the best method of promoting the inventions would be to confine the practice of the first stage to plaintiff and to a limited number of steel producers who could be depended upon to turn out center stretched slat stock of a high quality, but these steel producers were not interested in practicing the second stage or in marketing completed slats or Venetian blinds (R. I, p. 5).

Extensive experiments showed conclusively that it was necessary to prepare the slat stock against weather and abuse by giving it galvanizing and zinc phosphate coatings.

Certain steel companies had the necessary galvanizing and coating equipment and they were approached by Acme as prospective first stage licensees (R. I, pp. 5-6).

Also, it was decided that licenses should be freely granted to Venetian blind manufacturers to practice the second stage of the process with the product of the first stage, thus making possible a wide distribution of the benefits of the inventions throughout the country. However, neither Acme nor the other steel producers nor the Venetian blind manufacturers were engaged in the manufacture of machinery and it was, therefore, necessary to have a third class of licensees, to be known as "machine licensees," who could manufacture the apparatus employed in the practice of the second stage and the third stage of the process (R. I, p. 6).

Original Licenses.

Before any licenses were granted, the Wilson '434 patent (Exh. 1, R. III, pp. 645-651) had issued with process claims covering the second stage process step in combination with the first stage step by which the center stretched "slat stock" is produced. The patent contained no claim covering the second stage process step by itself. Accordingly, the original second stage licenses (Exh. RRR, R. III, p. 887) granted the licensee the right to practice the second stage of the process "with the use of said 'slat stock' produced by the practice of the first stage of said process." This was not a restriction but a definition of the scope of the license—the only scope the license could have in view of the nature of the patent grant. And, since it was considered necessary that the center stretched material be of such quality that it could be employed successfully in the practice of the second stage, paragraph 2 of the original second stage license agreement required the second stage licensee to purchase his requirements of slat stock from Acme or

from a first stage licensee. Also the first stage licensees were licensed under the Wilson and Hunter patents to produce slat stock for use in the practice of the second stage of the process, and were required by paragraph 1 of their licenses to sell their product only to second stage licensees (Exh. NNN, R. III, p. 878).

A first stage license of this form was granted to Thomas Steel Company and another to John Roebling & Sons Company (R. I, p. 8) and by the end of June, 1948, there were four hundred and eleven of such second stage licensees (R. I, p. 8). All of these first and second stage licenses were cancelled prior to the filing of the complaint herein on December 8, 1948, and the alleged misuse based on those agreements was thus a moot question when the case was tried in April, 1950, and the District Court rightly did not consider that question but left it open for the accounting (R. II, p. 635). Also, the Court of Appeals did not decide any such question, as appears from its opinion (R. IV, p. 959) where, after referring to the rule of the *Mercoid* case (*Mercoid Corporation* v. *Mid-Continent Investment Company et al.*, 320 U.S. 661), it said:

> "It may be questioned whether the rule extends to the present situation in which the unpatented article, that is, the slat stock, has been subjected to a part of the process covered by the patent and is to be finished in accordance therewith; but that question *need not be decided* since Acme, recognizing the strict limits within which the patent monopoly must be exercised, *released its second stage licensees from any restriction upon their purchase* of slat stock before the trial of the case in the District Court, * * *."*

1948 Modified Licenses.

The release of the second stage licensees from any restrictions upon their purchases, referred to by the Court

* Italics here and elsewhere in this brief are ours unless otherwise indicated.

of Appeals in the passage just quoted, was effected on July 1, 1948, when all of the original second stage licenses were cancelled and each licensee was offered a new form of license (Exh. TTT, R. III, p. 893) accompanied by a letter (Exh. SSS, R. III, p. 892) stating that the new license was less restrictive than the old one. The principal changes were the elimination of old paragraph 2 of the original second stage license (Exh. RRR, R. III, p. 887, 890), which specifically required the second stage licensee to purchase its requirements of slat stock from Acme or from a first stage licensee, and the elimination from the preamble of a statement that the licensee was desirous of purchasing "its requirements" of slat stock from those sources.

Also, during the year 1948, and prior to the filing of this suit, the first stage license to Thomas (Exh. NNN, R. III, p. 878) was modified, as a result of negotiations with a new first stage licensee, American Steel and Wire Company, so that the first stage licensees were no longer required to sell slat stock only to second stage licensees but were free to sell to anyone (Exh. PPP, R. III, p. 884).

The first and second stage licenses continued in the form in which they were put in 1948, prior to the filing of the complaint herein, until the time of trial in April 1950, and thereafter until June 9, 1950, when the second stage licenses were slightly modified as directed by the District Court (R. II, pp. 633-635, 640).

At the trial, Eastern complained only of the second stage license agreements in support of its alleged defense of misuse. Acme then took the position, as it has ever since, that the old original first and second stage license agreements were not before the Court because they had been discontinued prior to the filing of the complaint and would only be pertinent, if ever, in the event of an accounting for past infringement. The District Court therefore prop-

erly considered only the then existing second stage license agreements and held that the defense of unclean hands was untenable (R. II, p. 631).

In the judgment subsequently entered by the District Court it was decreed that the defense of unclean hands had not been sustained (R. II, p. 633) but that the issuance of an injunction be withheld until the second stage license had been made "entirely clear" (R. II, p. 631) in the respect indicated by paragraph 4 of the judgment (R. II, pp. 632, 633-634). The changes the Court directed were intended to make it abundantly clear, even to one who had no previous contact with the license, that he is not required to purchase slat stock from Acme or from its first stage licensees. In short, they were intended to avoid the misinterpretation which Eastern had sought for its own purposes to give to these agreements. The changes made were of a minor nature and as the District Court stated were made "to make assurance doubly sure" (Original Trans. Vol. III, p. 1862).

There was no evidence that any licensee or prospective licensee had ever been so deceived. It is a noteworthy circumstance that, as pointed out by the Court of Appeals in a footnote of its opinion (R. IV, p. 957), *"the evidence does not show that the second stage licensees felt obliged to purchase only from Acme or Thomas."* This is so although Eastern had been furnished a complete list of names and addresses almost a year before the trial of the case (R. II, p. 397), and thus had ample opportunity to find licensees, if there were any, who felt obliged to purchase slat stock from Acme or its first stage licensees. Also, it is true, as the Court of Appeals pointed out in the said footnote (R. IV, p. 957) that "there is some evidence that they (the second stage licensees) actually made purchases from others."

The Court of Appeals, however, although holding that the question of misuse by the original license agreements "need not be decided" and that, with respect to the modified second stage license agreements, Acme had "released its second stage licensees from any restriction upon their purchase of slat stock before the trial of the case in the District Court," as pointed out above (R. IV, p. 959), concluded that the right of Acme to recover damages for infringement was barred until Acme "had purged the licenses of the objectionable restrictions" and that "Since this purge was not completely accomplished until June 9th, 1950, damages are not recoverable for any infringement prior to this date"!

Further facts will be stated in argument.

ARGUMENT.

1. Alleged Misuse.

It is, of course, impossible to reconcile the statements of the Court of Appeals to which reference has just been made. Since neither that Court nor the District Court found that there was any misuse at any stage, no "purge" was necessary on June 9, 1950. The minor changes which were then made were "to make assurance doubly sure" as the District Court said. The purge of the second stage agreements, if it be assumed that any was required, had in fact occurred nearly two years before, as the Court of Appeals found when it said that the second stage licensees had been released from any restrictions upon their purchase of slat stock before the trial in the District Court (R. IV, p. 959).

Since there never was a finding of misuse, how could there be any "evil consequences to be dissipated" on June 9, 1950, or at any other time? The burden surely was upon Eastern, not only to show that there was misuse, but also to show the existence of evil consequences to be dissipated. But Eastern failed in both respects because, as we have seen, the Court of Appeals found that the restrictions had been removed and also that *"the evidence does not show that the second stage licensees felt obliged to purchase only from Acme or Thomas"* (R. IV, p. 957). If they did not feel so obliged, the license agreement obviously had no improper influence upon them and there were no evil consequences to be dissipated.

If it be assumed for argument that the restrictions which were in the original agreement constituted misuse, it is manifest that any consequences thereof must have

been dissipated prior to June 9, 1950, since those restrictions were removed on July 1, 1948.

And if we assume, contrary to the findings of both Courts, that the restrictions still lurked somewhere in the agreements notwithstanding their express removal (!), how could they still be present after June 9, 1950, either in the new agreements or in the minds of the licensees, in view of the fact that on that date these new agreements were transmitted by Acme to each licensee with a copy of the Judgment of the District Court and a letter (Snodell Exh. A, R. II, p. 638) which said:

> "As appears from paragraph 4 of that Judgment, the Court did not sustain the defense of 'unclean hands,' based upon alleged misuse of Acme's patents in its existing license agreements, but it did direct that the existing second stage license agreements be modified in the manner indicated. *This change is intended to make it impossible for these agreements to be misinterpreted as requiring that the second stage licensees purchase their requirements of slat stock either from Acme Steel Company or from its first stage licensees.*"

The fact that the second stage licensees were so informed was established by affidavit (R. II, pp. 636-644) in accordance with the direction of the Judgment of the Court (R. II, pp. 634-635) that it be shown to the Court "*by affidavit*" that the directed changes had been made, thereby entitling Acme to the issuance of an injunction. Eastern's counsel says, however, that this is not sufficient proof but does not question the fact that the changes were made and that the licensees were notified of the change and their intended purpose, as indicated above.

The proof of purging was established by affidavit in the case of *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U. S. 827, 94 L. Ed. 1312, decided by this Court in 1950. There the original license agreements con-

tained a restrictive use notice. Three years after the licenses were granted, the plaintiff sent a *letter* to all of its licensees waiving the restrictive provision. This was about eighteen months before the suit was filed. The proof of the sending of these letters was established by *affidavit.* This Court in effect held (339 U. S. 827, 835-836) that even if the restrictive provision had at one time constituted misuse, the misuse had been purged by the sending of the letter and that the issue, therefore, was moot.

In the present case, Eastern made no objection to the affidavit at the time of its filing and should not be heard to do so now.

Moreover, it appears that the courts have universally accepted as proof, not only of the purging but of the dissipation of the evil effects, a showing that the offending provisions of the license agreements have been removed, as indicated by the decision just cited, as well as by the following cases:

Campbell, et al. v. *Mueller, et al.* (C.C.A. 6, 1947), 159 F. 2d 803, 806-807;

Westinghouse Elec. Corp. v. *Bulldog Elec. Prod. Co.* (C. A. 4, 1950), 179 F. 2d 139, 145-146;

Flexwood Co., et al. v. *Matt G. Faussner & Co.* (C.C.A. 7, 1944), 145 F. 2d 528, 542;

Sylvania Industrial Corporation v. *Visking Corporation* (C.C.A. 4, 1943), 132 F. 2d 947, 957-958; and

Air Products, Incorporated v. *Boston Metals Company* (D. Ct., Md., 1951), .. F. Supp. .., 89 U.S.P.Q. 574, 581-582.

Accord: Baker-Cammack Hosiery Mills, Inc. v. *Davis Co.* (C. A. 4, 1950), 181 F. 2d 550, 569, 571; cert. denied 340 U. S. 824; and *Universal*

Sewer Pipe Corporation v. *General Const. Co.* (D. Ct., Ohio, 1941), 42 F. Supp. 132.

Alleged Misuse Since June 9, 1950.

The substance of Eastern's point as to misuse, although stated in variant language in multiple questions, is simply whether the presently existing second stage licenses, which were framed to embody the changes directed by the District Court, involve misuse of the patents. The answer is clearly in the negative.

Eastern's contention to the contrary appears to be based largely upon the fact that the licensees are authorized by paragraph 1 of their licenses to practice the second stage "with the use of slat stock produced by the practice of the first stage of said process" (Snodell Exh. B, R. II, p. 642). Of course they are. That was the only right that could be given them because, as pointed out above at page 4, the Wilson '434 patent contains no process claims on the second stage alone but only on the second stage when practiced in conjunction with the first stage. Acme has no right to license others to practice the second stage with ordinary commercial strip steel or with steel otherwise treated. If Eastern or any other concern wishes to practice the second stage of the process with commercial strip steel or with other steel which has not been treated by the first stage of the Wilson process, it may do so without a license and without infringing any of the two stage process claims. The fact that the second stage license agreements are directed to the practice of the second stage only with the product of the first stage is a mere definition of the scope of the license imposed by the scope of the patent grant and not a restriction imposed by contract. This has been recognized by the District Court and by the Court of Appeals and this definition of the scope of

the license has never been regarded by either court as constituting misuse.

And if nobody can produce the product of the first stage without infringing the first stage claim of the Wilson '434 patent or the claims of Hunter, so that the producer is an infringer, as asserted by Eastern at page 13 of its brief, then that too is a condition which arises legitimately from the patent grants and not from the license agreement. However, Eastern's argument along this line is effectively answered by its own statement, at page 15 of its brief, that "there are other ways of making it." If there are other ways of making the first stage product, the first stage producer need not infringe and, contrary to the statement of Eastern near the bottom of page 13 of its brief, the second stage licensee would not be an infringer. Here again, counsel for Eastern is confused as to the significance of the clause by which the second stage licensee is *authorized* to practice the second stage with the product of the first stage; that language designates the *kind* of product but not its *source*.

Following its argument which has just been dealt with, Eastern refers (at page 13 of its brief) to alleged "coercive clauses" of the license agreement, viz., (a) Acme's right of cancellation, (b) acknowledgment of validity of the patents named in the license, (c) a covenant not to contest validity and (d) reports by the licensee of infringement by others.

Eastern fails to mention that paragraph 5 of the agreement (Snodell Exh. B, R. II, p. 643) gives the licensee the same right of cancellation that Acme has. If the licensee does not like the agreement or its operations thereunder it may cancel at any time. This is obviously not coercion. The second stage licensees have been free to buy their slat stock wherever they chose, at least since July 1, 1948, when the

original express convenant to buy from Acme or its first stage licensees was removed. This position is evident from Acme's consistent conduct. For it has never criticized second stage licensees for buying from nonlicensed producers (R. I, pp. 398-399), despite the fact that some of these licensees have obtained slat stock from Eastern (R. I, p. 10), an admitted infringer. No second stage license has ever been canceled because of any such conduct (R. I, p. 399).

The acknowledgment of validity and the agreement not to contest validity are merely a written statement of the estoppel which is imposed by law upon a licensee. Cf. *Automatic Radio Mfg. Co., Inc.* v. *Hazeltine Research, Inc.*, 339 U. S. 827; 94 L. Ed. 1312 (1950). It has been uniformly held that such a provision in a license agreement is not unlawful or against public policy.

> *Steiner Sales Co.* v. *Schwartz Sales Co.* (C.C.A. 10, 1938), 98 F. 2d 999, 1009; cert. denied 305 U. S. 662;
>
> *Baker-Cammack Hosiery Mills, Inc.* v. *Davis Co.*, (C.C.A. 4, 1950), 181 F. 2d 550, 569; cert. denied 340 U. S. 824.

It is not true, as asserted by Eastern in its petition and brief (and raised for the first time in its petition for rehearing), that the acknowledgment of validity extends to patents which are not licensed. The second stage license (Exh. TTT, R. III, p. 894; Snodell Exh. B, R. II, p. 640) recites five patents by number in the preamble, including the Wilson '434 and '678 patents, and paragraph 3 of each form of the second stage license recites that "Licensee acknowledges the validity of each of said Letters Patent" and that the licensee agrees not to contest the validity "of any of said Letters Patent." In the granting clause (para-

graph 1) of the same agreement it is recited that: "Licensor hereby grants to Licensee a non-exclusive license (under said Letters Patent but no others) . . . ." It is clear, of course, that "said Letters Patent" refers in *both* the granting clause and in the acknowledgment of validity to *all* of the five Letters Patent recited in the preamble. The second stage agreements have always been so construed by Acme and its licensees and the second stage licensees have practiced both the second stage of the Wilson '434 patent and the third step of the Wilson '678 patent. The machine licensees (Exh. WWW, R. III, p. 903) have manufactured and sold to the second stage licensees apparatus for performing both the second and third stages (Exh. 40 and 42, R. III, pp. 685, 687; R. I., p. 70; Original Trans. Vol. II, p. 352).

The obligation of the second stage licensee to report the names of infringers certainly does not constitute misuse and is merely a corollary to the obligation not to contest validity. Since the license agreement imposes no obligation upon the licensee to purchase from Acme, and he has been expressly so informed (see page 14 above), he cannot get into difficulty if he does furnish the names of infringers.

Eastern's argument to the contrary is based upon a misconception of the law and the facts for it is asserted at page 13 of Eastern's brief that if the licensee were to purchase "slat stock" produced by "some process other than Acme's first stage, he would be operating outside of the license and would be open to suit by Acme for infringement." In the first place, "slat stock" is by definition the product of the first stage as defined broadly in the two stage claims of Wilson '434 (see page 4 above) so that the situation supposed is impossible. In the second place, if the second stage licensee were to use some product other than the center stretched product of the first stage, *he would*

be not only outside of the license but also outside of the patent and therefore not subject to suit by Acme.

Finally, in groping for support for its petition, Eastern asserts at page 14 of its brief that the decision of the Court of Appeals is in direct conflict with the decisions of the Courts of Appeals of the Third and Ninth Circuits in the *National Lock Washer* case (137 F. 2d 255), the *Park-In Theatres* case (81 F. Supp. 466, 90 F. Supp. 730), and the *McCullough* case (166 F. 2d 759). It is argued that the provision that the second stage licensee may practice the second stage "with the use of slat stock produced by the practice of the first stage of said process" constitutes a covenant that the licensee "will not traffic in slat stock except that made under the Wilson '434 and Hunter patents, although there are other ways of making it."

Manifestly, Eastern's contentions in this respect are unfounded. The language of the agreement referred to is a permissive clause and defines the scope of the license within the scope of the patent grant, as we have pointed out. It makes no reference to the specific first stage methods of the Wilson and Hunter patents but it does include any center stretched product as defined by the *two-stage* claims of Wilson '434. If any second stage licensee can practice the second stage with a product which is not produced by the first stage method as defined in those two-stage claims, he is free to do so and Acme has no control over him. Nor does the clause in question attempt any such control. If the second stage is carried on with the use of slat stock produced by the first stage (as that first stage is broadly defined by the two-stage claims) then Acme is entitled to control the practice by virtue of the patent grant, and such control does not constitute misuse.

The cases cited by Eastern hold that a patent may not be used to suppress the manufacture and sale of competing unpatented articles. Here, the licensee is free to make Venetian blind slats by any other method and may without a license use Acme's second stage with strip steel not produced by the first stage, if he can make it work. To contend that Acme is using the patent to prevent competing practices by the licensee is as absurd as it would be to contend that if A grants B a license to drive over his property, B is thereby restricted from passing over the property of C.

2. The Wilson '678 Patent.

Eastern's contention concerning the Wilson '678 patent (Exh. 4, R. III, pp. 663-670) is that the Court of Appeals, in holding the patent valid and infringed, did not consider all of the claims of the patent and it is asserted that this is in violation of the decision of this Court in *Altoona Pub. Theatres* v. *Am. Tri-Ergon Corporation,* 294 U. S. 477.

The contention is based upon an unfounded premise because it *assumes* that the Court of Appeals did not consider all of the claims when there is nothing in the Court's opinion to justify that conclusion.

In quoting from the decision of this Court in the *Altoona* case, Eastern's counsel left out pertinent parts of the first passage which reads in full as follows (p. 487):

> "The Court of Appeals, in upholding the patent, made no examination of its separate claims, but treated the patent throughout as though it were a combination of five distinct elements, the photoelectric cell, the arcuate flexing of the film, the flywheel, the flexible connection of the flywheel and the optical slit, *although nowhere in the patent is any such combination claimed.* The patent thus upheld is one which was neither claimed nor granted. Under the statute it is the claims of the patent which define the invention."

At a later point, the Court mentioned the long established principle that each claim stands on its own feet, in the following language:

> "And each claim must stand or fall, as itself sufficiently defining invention, independently of the others."

Of course, in the instant case, the claims were not upheld because of the incorporation therein by argument of something not actually recited in the claims, as was the fact in the *Altoona* case. Here every element or step upon which validity was based is found in the claims and there is no basis for Eastern's assumption that the Court did not consider all of them.

The nature of the Wilson '678 invention has been explained above at pages 5 to 6, and we there pointed out the great advantage of the improvement in treating the product of the second stage of the Wilson '434 patent to produce finished slat material of uniform transverse curvature in spite of variations in gauge. The fact that the Court of Appeals appreciated the merit of the third stage flattening step by itself as well as in combination with the two steps of the first Wilson patent is indicated by the following passage from its opinion (R. IV, p. 954):

> "Under this third stage, the transversely curved strip material, after passing through the forming rolls of the second stage, is flexed in a direction transverse to its line of travel, whereby it becomes buckled or progressively flattened by the removal from its successive portions of a large part of the transverse curvature that had been imparted by the forming rolls. After passing through the flattening operation, the transverse curvature returns, but to a lesser degree, to the strip, due to its resiliency. In this manner a greater degree of curvature is removed from the strip material which has a greater thickness, thus producing the result that the strip material is caused to assume ap-

> proximately the same transverse curvature. *There is nothing in the prior art that anticipates this disclosure.* Second Wilson seems to embody a rather clear advance over First Wilson and Hunter, *and there is certainly nothing anticipatory in Morse.* • • • We think the District Judge was right in upholding the assertion that *Second Wilson produces a uniformity of the lateral arc in a manner not previously disclosed.*"

That passage does not indicate that the Court did not consider all of the claims or that it failed to consider claims 7 and 8, the particular claims to which Eastern refers in its petition. The District Court did specifically mention claims 8 and 14 as "*typical*" method and apparatus claims, respectively (R. II, p. 624), and concluded (R. II, p. 627), after hearing the testimony of witnesses on both sides and considering the prior art, including the Morse patent, that the Wilson '678 patent covered a new and meritorious invention and was a valid patent.

In quoting from claims 7 and 8, Eastern conveniently leaves out the reference to "reducing and rendering substantially *uniform* the transverse curvature of an elongated metal strip having *a varying transverse curvature in successive parts thereof*" (claim 8, and similar language in claim 7) which define features not disclosed by Morse who was dealing merely with the properties of strip material to be wound in a coil for shipment to the trade, a practice which is not followed by any of Acme's four hundred and eleven licensees.

Thus we have concurrent findings by both of the Courts below with respect to the validity of the Wilson '678 patent and this finding of fact should not be set aside unless clearly erroneous. This rule has, of course, been recognized and followed by this Court in numerous cases including that of *Graver Tank & Mfg. Co., Inc. et al.* v. *Linde Air*